

**SB278 Testimony Letterhead ver 020520**

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Position: FAV



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**NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES**  
**MARYLAND FEDERATION**

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IMMEDIATE PAST PRESIDENT

**Statement of the Maryland Federation of National Active and  
Retired Federal Employees**

**On Senate Bill 278,**

**The Retirement Tax Reduction Act of 2020**

Good Afternoon, Chairman Guzzone and Members of the Budget and Taxation Committee. My name is Robert Doyle and I am the Vice-Chair of the State Legislation Committee of the Maryland Federation of NARFE, the National Active and Retired Federal Employees Association. The mission of NARFE is to promote the general welfare of current and potential Federal annuitants by advising them with respect to their rights under retirement laws and regulations. We represent approximately 300,000 Federal employees and annuitants living in Maryland.

For many years, the NARFE SLC has advocated for numerous bills which would impact Maryland seniors such as bills on Long Term Care Tax Credits and recent bills supporting the decoupling of Federal and Maryland tax returns to allow MD residents the ability to itemize on MD returns even if they did not itemize on the Federal return. For the benefit of all Maryland retirees, NARFE supports Senate Bill 278, the Retirement Tax Reduction Act of 2020.

We understand that the RTRA will be a phased-in reduction in state tax on retirement income beginning in 2021 with full implementation in 2026. At that time, the bill will eliminate all state tax on the first \$50,000 of income for individual retirees with a Federal Adjusted Gross Income (FAGI) of up to \$100,000 so retirees with a FAGI of \$50,000 or less will pay no Maryland state tax. In the intervening years, there will be phased-in tax reductions each year starting at \$10,000 and going up to the full \$50,000. In his announcement of the bill, Governor Hogan stated that will result in a cut of almost \$1 billion in state taxes for about 230,000 Marylanders over the five year period.<sup>i</sup>

NARFE supports the RTRA as a positive step in making Maryland not only a better place for our native retirees but also a solid choice for outside retirees looking for a worthwhile retirement state.

Governor Hogan, in his statement announcing this Bill, said that “People who have been lifelong Marylanders and have contributed so much, and still have more to offer, are moving to other

states for one reason—our state’s sky-high retirement taxes. .... This legislation will .... keep tens of thousands of Maryland retirees from being forced to flee our state.”<sup>ii</sup>

We agree with his statement, and we offer our comments on the Governor’s three points.

First, seniors and others are “moving to other states” - leaving Maryland in significant numbers.

There are numerous states which do not tax retirement income, which of course includes the states which have no income tax at all. There are some other states which do not tax the pensions of public service retirees (Federal, state and local) or the pensions of retired military personnel or First Responders.<sup>iii</sup> These states can be attractive destinations for Maryland retirees.

Data from the IRS Statistics of Income (SOI) Division (compiled by USAFacts.org) showed that about \$11.6 billion in income moved out of Maryland for the period 2000-2015 (see attached graph). We also looked at the IRS SOI Tax Stats site showing Migration Data for 2017-2018. This site tracks returns showing change of address from one year to the next. For 2017-2018, the report showed migration from Maryland to four popular states for Seniors -- Florida, Delaware, North Carolina and Pennsylvania – as a total of 24,881 returns changed from a Maryland address to an address in one of those four states.<sup>iv</sup> Of course not all the migration was seniors, but it is likely a lot of seniors are represented here.

Second, MD has “sky-high retirement taxes.” MD is a high tax state,<sup>v</sup> and recent changes in Federal taxes have made the situation worse for many Marylanders including many seniors whose incomes are fixed by their pensions, or their Social Security benefits or sometimes both. For example, under Federal law the maximum, combined amount of state and local property, income, and sales taxes that can be deducted is now \$10,000. Additionally, some Marylanders who take the new higher Federal Standard Deduction and thus do not itemize on the Federal return cannot itemize on their MD return and may feel a larger MD tax bite than before. We note that there have been bills to decouple the Federal and Maryland returns -- SB 486 and HB 788 -- introduced in this session to address this.

Third, retirees are “lifelong Marylanders (who) have contributed so much, and still have more to offer.” Seniors are enthusiastic volunteers who devote many hours of work to helping their communities, including school and hospital volunteering. Seniors who may no longer feel hard-pressed to save money will spend it -- not only on the necessities but also on non-necessities (like dining out or home renovations). This spending generates sales tax revenue and additional state revenue on taxes paid by those firms and individuals who are the recipient of senior spending.

It is important to note that personal income taxes provide Maryland with ~ 25 % of its revenue, and any reduction in taxes has to be viewed in light of its total impact on Maryland’s economy including federal funds received by Maryland and that are based on census data.

I will finish by offering a rationale which I read recently in a Capital Gazette column by an advocate for tax relief for retired military personnel in Maryland. I believe his rationale for retired military tax relief generally applies to all seniors. I will paraphrase his conclusion by saying “the bottom line is that immediate tax relief for seniors in Maryland is a fiscally sound and viable option to attract and retain valuable individuals — good neighbors who pay their bills, volunteer in the community and have an appreciable level of discretionary income. Other states have learned this and are catching on — losing a little in revenue but building a stronger fiscal base by increasing the number of state taxpayers.”<sup>vi</sup>

Whether or not the Maryland State Legislature enacts SB 278 during the current legislative session, we also recommend that the Legislature commission a comprehensive study on the effect of the tax migration of seniors on the overall health of Maryland’s economy. NARFE stands ready to assist in such a study in any way we can.

We close by saying keeping seniors in Maryland should be a matter of high priority for Maryland’s legislators. For the reasons above, NARFE recommends that the B&T Committee gives a favorable report to SB 278.

Thank you.

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<sup>i</sup> Governor Hogan Announces More Than \$1 Billion in Tax Relief for Maryland Retirees, Press Release from the Office of Governor Larry Hogan, January 16, 2020, found at <https://governor.maryland.gov/2020/01/16/governor-hogan-announces-more-than-1-billion-in-tax-relief-for-maryland-retirees/>

<sup>ii</sup> Ibid.

iii “State Tax Roundup” prepared by National Active and Retired Federal Employees Association, April 2019, found at <https://www.narfe.org/pdf/StateTaxRoundup.pdf>

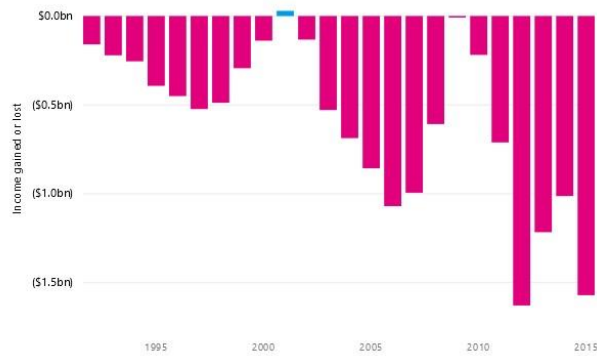
iv Found at <https://www.irs.gov/statistics/soi-tax-stats-migration-data>

v Found at <https://www.kiplinger.com/slideshow/taxes/T054-S001-all-50-states-ranked-for-taxes-2019/index.html>

vi “Attracting and retaining retired military in Maryland – a must-do list,” Tom Jurkowsky, Capital Gazette, February 1, 2019 found at <https://www.capitalgazette.com/opinion/columns/ac-ce-column-jurkowsky-20190201-story.html>

How much income moved **into**  
and **out of** other states from:

Maryland 



# **SB 278 support Retirement LTR head**

Uploaded by: Palmer, Mathew

Position: FAV





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TTY USERS CALL VIA MD RELAY

## **Senate Bill 278 – Retirement Tax Reduction Act of 2020**

### **SUPPORT**

#### **Senate Budget and Taxation Committee February 5, 2020**

#### **Testimony By: Mathew Palmer, Deputy Legislative Officer**

#### **PURPOSE OF BILL**

This legislation would exempt the first \$50,000 of income from taxation for all retirees with less than \$100,000 of federal adjusted gross income. This will be phased-in over 5 years, starting in FY 2022.

#### **COMMENTS**

The Hogan Administration is very concerned with the ability of our retirees to make ends meet on a fixed income and this legislation would provide a much needed tax exemption on retirement income for those retirees needing it the most. These Marylanders have worked hard, and have children and grandchildren who they want to remain close to. However, they are facing the prospect of moving out of the state to Pennsylvania, Tennessee, or Florida to reduce or eliminate their income tax burden, so that they can ensure that their retirement savings will carry them through their remaining years.

Recent surveys have found that Maryland ranks as one of the worst states for retirees for multiple reasons, however, affordability and tax climate are the two largest factors. This bill will allow more Maryland retirees to keep their hard earned retirement income, and allow them to stay in our state, enjoying their retirement years with their family. It is important to allow Maryland retirees to continue to contribute to our communities and our economy, rather than chase them out of state with high income taxes, simply because they need to weigh their ability to continue to live comfortably on their retirement savings they have put away.

The Hogan Administration thanks the Committee for your time and hope that we can work together to pass this legislation, so that we can help remove the burden of high income taxes from our retirees and we can keep them in Maryland with their families and contributing to our communities and our economy.



**AARP MD\_FAV\_SB0278**

Uploaded by: Streeter, Sherl

Position: FAV

**SB 278 - Retirement Tax Reduction Act of 2020**  
**Senate Budget and Taxation Committee**  
**February 5, 2020**

Good afternoon Chairman Guzzone and members of the Senate Budget and Taxation Committee. My name is Sherl Streeter. I live in Lanham, Prince George's County Maryland and I am a volunteer for AARP MD. AARP Maryland is one of the largest membership-based organizations in the State, with almost 900,000 members.

AARP is working hard to strengthen retirement security for all Americans by ensuring that workers and retirees have access to their hard earned and hard saved dollars. This advocacy responds to member priorities as revealed in a recent survey of over 1700 AARP Maryland members. Sixty (60) percent responded that maintaining their retirement savings should be an AARP legislative priority. I am here today in support of SB 278 on behalf of AARP and its members. We thank Governor Hogan for asking that this legislation be introduced.

As you may know, AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. Key priorities of our organization include helping all Marylanders achieve financial and health security. In particular, AARP strongly believes that all individuals have the right to be self-reliant and live with dignity in retirement.

The rising cost of essential necessities, including groceries, utilities, and prescription drugs, is of significant concern for millions of Marylanders, especially for older and retired Marylanders living on fixed incomes. In fact, in 2017, 22% of Maryland residents stopped taking medication as prescribed due to rising costs.

Older Marylanders on fixed incomes clearly feel the effects of inflation more than the rest of us. These retirees bear a disproportionate brunt of drug and medical inflation, which is significantly higher than overall inflation.

Maryland's retirees currently pay federal income taxes, as well as significant state and local income taxes, and motor fuel taxes, sales taxes, and property taxes. A vast number of older Marylanders also fully support or contribute financially to the well-being of their children and grandchildren, as well as act as primary caregivers to their parents and spouses. They also feel that they have limited options for rejoining the workforce and virtually no time horizon to increase their savings.

Reducing taxes on retirement income will provide Maryland's retirees with extra dollars to care for their loved one's needs and provide assistance with food, housing, transportation and medical costs.

**AARP Maryland respectfully requests a favorable report for Senate Bill 278.**

For questions or additional information, please feel free to contact Tammy Bresnahan, State Director of Advocacy at [tbresnahan@aarpm.org](mailto:tbresnahan@aarpm.org) or by calling 410-302-8451.

**MSBATaxLaw\_FWA\_SB278**

Uploaded by: Dunmire, Melinda

Position: FWA

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**To:** Members of The Senate Budget and Taxation Committee

**From:** Melinda Dunmire, Chair, Legislative Committee, Tax Council

**Date:** February 3, 2020

**Subject:** **SB 278** – Tax General – Retirement Tax Reduction Act of 2020

**Position:** **Support with Amendments**

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The Maryland State Bar Association (MSBA) supports with amendments **SB 278 – Tax General – Retirement Tax Reduction Act of 2020 amended** as set out below.

Generally, the bill proposes an additional income subtraction for an individual under § 10-207(a)(HH)(1) who has federal adjusted gross income of \$100,000.00 or less, if the individual is at least 65 years old and is not employed full time.

Please provided clarification on the following:

1. What is considered full-time work? Is 35 hours or 40 hours full-time work? Is it based on total number of hours worked in a week or year?
2. Are individuals eligible for the subtraction if they are self-employed? There are many persons in the “gig economy.”
3. Is the determination made with regard to their employment status only on the last day of the year? For example, if the individual was employed full-time from January 1 – December 30<sup>th</sup>, but not as of December 31<sup>st</sup>, does the individual qualify for the subtraction?

For the reason stated above, the MSBA **supports SB 278 if the bill is amended** to address the ambiguities identified above.

If you have questions about the position of the Tax Council Legislative Committee, please feel free to address them to me at 443-621-3515 or at [melinda.dunmire@gmail.com](mailto:melinda.dunmire@gmail.com).

Should you have other questions, please contact The MSBA’s Legislative Office at (410)-269-6464 / (410)-685-7878 ext: 3066 or at [Richard@MSBA.org](mailto:Richard@MSBA.org) and [Parker@MSBA.org](mailto:Parker@MSBA.org)

**MACo\_UNF\_SB0278**

Uploaded by: Kinnally, Kevin

Position: UNF



## **Senate Bill 278**

### *Retirement Tax Reduction Act of 2020*

MACo Position: **OPPOSE**

To: Budget and Taxation Committee

Date: February 5, 2020

From: Kevin Kinnally

### **Tax Incentives and Local Government Autonomy**

**Counties are eager and committed partners in promoting economic growth and creating opportunity – we prefer local autonomy in determining the best way locally. The Maryland Association of Counties (MACo) opposes state-mandated reductions in local revenue sources, but welcomes tools to grant counties options and flexibility to pursue their own parallel tax incentives, or to develop others to suit their local needs.**

The General Assembly routinely considers proposals to change tax structures, often seeking to stimulate economic growth, encourage beneficial activities, or attract and retain residents. These proposals often are focused exclusively on the state’s tax structure, but sometimes extend to local revenues as well.

In general, MACo stands for local self-determination. Counties, led by their elected leaders who are directly accountable within the community, are in the best position to make decisions on local affairs – ranging from land use to budget priorities. MACo steadfastly guards this local autonomy, and frequently advocates against statewide solutions that mandate county compliance or otherwise override local decision-making.

Property taxes show the best collaborative way to enact targeted tax relief. The State and its local governments already work together here – where the State routinely grants a state-level tax credit, but then enables county governments to enact their own as a local option.

State proposals that involve local revenue sources can be enacted as “local option” offerings, to allow counties maximum flexibility to achieve local goals. MACo urges the Committee to primarily consider state income tax credits as the best means to incorporate local tax relief as part of a broader policy. MACo and county governments stand ready to work with state policymakers to develop flexible and optional tools to create broad or targeted tax incentives, but resist state-mandated changes that preclude local input.

Accordingly, MACo urges the Committee to issue an **UNFAVORABLE** report on SB 278.



**2020\_02\_04\_committee\_ltr\_dr4\_attachments\_exec**

Uploaded by: Levine, Stuart

Position: UNF

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February 4, 2020

**Via E-Mail:**  
**guy.guzzone@senate.state.md.us**

**Via E-Mail:**  
**jim.rosapepe@senate.state.md.us**

Senator Guy Guzzone, Chair  
Senate Budget and Tax Committee  
3 West  
Miller Senate Office Building  
Annapolis, Maryland 21401

Senator Jim Rosapepe, Vice-Chair  
Senate Budget and Tax Committee  
3 West  
Miller Senate Office Building  
Annapolis, Maryland 21401

**Re: S.B. 278**

Dear Senator Guzzone and Senator Rosapepe:

I am an attorney in private practice in Baltimore County. I have been in private practice for over forty-three (43) years. My practice is focused on various business and tax issues. In addition to my basic law degree (J.D., University of Baltimore Law School, 1976), I have a Masters of Law degree in taxation from Georgetown University Law Center (1979).

I am submitting this letter in opposition to S.B. 278.

## ***Introduction***

S.B. 278 has been submitted by Governor Hogan and has been dubbed the “Retirement Tax Reduction Act of 2020.” According to the press release accompanying the announcement of the introduction of S.B. 278, the bill would allegedly “keep tens of thousands of Maryland retirees from

being forced to flee” Maryland.<sup>1</sup> In order for the bill to meet the Governor’s stated goal, several things must be true:

First, there have to be facts that support the proposition that “tens of thousands of Maryland retirees [are] being forced to flee” this state due to the current taxation of income derived from retirement payments. Yet, there are no facts that show (i) that Marylander’s, of any age group, are “fleeing” the state, or (ii) that Maryland’s tax structure is a major contributing cause.

Second, there have to be facts that support the proposition that the tax cuts that the bill would make would have a significant impact on the claimed mass exodus from Maryland. The Governor has produced no facts that would back-up his claim that it would substantially reduce migration to from Maryland to other states.

Finally, we should take notice that the proposed tax cut goes overwhelmingly to the well-off.

*The Net of Migration from Maryland and Immigration Into Maryland*

Every year, the Internal Revenue Service publishes data on migration from and to the various states.<sup>2</sup> I have uploaded the spreadsheets showing the data for Maryland for the 2017-2018 years (the

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<sup>1</sup>The Governor’s statement can be found here:

<http://slnews.us/sb020420a>

and here:

<https://governor.maryland.gov/2020/01/16/governor-hogan-announces-more-than-1-billion-in-tax-relief-for-maryland-retirees/>

(Last Viewed: February 4, 2020)

<sup>2</sup>The URL for the portal to that data is:

<https://www.irs.gov/statistics/soi-tax-stats-migration-data-2017-2018>

or

<http://slnews.us/sb020420b>

(Last Viewed: February 4, 2020)

last available data) for migration from Maryland to other states<sup>3</sup> and immigration to Maryland from other states.<sup>4</sup>

The data show the following for the years in question:

- Marylanders who did not migrate filed 2,250,805 tax returns with a total of 4,628,099 exemptions. That's an average of 2.056 exemptions per return.
- Marylanders who migrated to other states during that period filed 91,790 returns with a total number of 161,967 exemptions or 1.765 exemptions per return.
- Immigrants to Maryland from other states filed 82,821 returns with 145,570 exemptions or 1.758 exemptions per return.
- In other words, the net population loss for Maryland is only 16,397 or a mere 0.35% of those who filed returns and neither immigrated or migrated.<sup>5</sup> Since the Census Bureau estimates that there are 6.043 million people in Maryland, the number of net migrants from Maryland is only 0.27% of the total Maryland population.

In summary, roughly as many people are immigrating to Maryland as there are emigrating from Maryland. Moreover, the net number of migrants relatively trivial in comparison to the total population of this state. Thus, there is no reason to panic about "Marylanders fleeing the state."

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[http://probono.slnews.us/2020SB278/2020\\_02\\_04\\_Census\\_2017-18-Maryland\\_outflow.xls](http://probono.slnews.us/2020SB278/2020_02_04_Census_2017-18-Maryland_outflow.xls)

or

<http://slnews.us/sb020420c>

4

[http://probono.slnews.us/2020SB278/2020\\_02\\_04\\_Census\\_2017-18-Maryland\\_inflow.xls](http://probono.slnews.us/2020SB278/2020_02_04_Census_2017-18-Maryland_inflow.xls)

or

<http://slnews.us/sb020420d>

<sup>5</sup>Just to put the statistics in context, the Baltimore Orioles in 2019 had the second worst record in Major League Baseball. As a consequence, the attendance at Orioles' games declined. The average attendance at Orioles' home games was 16,347. In other words, the net migration from Maryland to other states is roughly the same as the attendance at only one home game of one of the worst performing teams in Major League Baseball.

Since S.B. 782 targets retirees, the following question arises: How many Marylanders who are emigrating are retirees? That's difficult to estimate. However, the Census Bureau estimates that of all citizens who migrate from one state to another only about 10.17% are over the age of 60.<sup>6</sup> Thus, only a small minority of that trivial number of net migrants are even intended beneficiaries of the bill.

### *The Causes of Migration*

I have attached as *Attachment A* a study by the non-partisan Center on Budget and Policy Priorities that shows that state taxes have a negligible impact on Americans' interstate moves. The paper outlines the various reasons that individuals migrate from one state to another. While the data that the study relies upon was drawn from the IRS tables for the years 1993–2011, it is entirely consonant with the data that I have posted for the 2017-2018 years that can be downloaded from the URLs set forth in footnotes 3 and 4, *supra*. At the least, if the Governor is basing his proposal on the claim that large numbers of Marylanders are migrating out of the state due to Maryland's tax structure, he should present the evidence to support that claim. He has not done so. Let's me be blunt: The supporters of S.B. 278 have presented neither any evidence to support their contention that a large percentage of those of those migrating from Maryland are retirees or that those retirees who are migrating are primarily motivated by Maryland's tax structure. Thus, the "Marylanders fleeing the state to avoid taxes on retirement income" trope is an assertion that entirely without factual support.

### *The Benefits of S.B. 278 Flow Overwhelmingly to the Well-Off.*

The Fiscal and Policy Note to S.B. 278 estimates that, if enacted, the bill will trigger a mammoth revenue loss. Specifically, over the five (5) year phase-in period, the Fiscal and Policy Note estimates that state revenues will decline by over a billion and a third dollars (\$1,335,500.00). During that same period, it is also estimated that local revenues would decline by an additional \$879,900,00.00. In other words, there would be a stunning revenue loss over a five (5) year phase-in period of over \$2.215 billion (\$2,215,400.00). And, of course, because the five (5) period represents a phase-in period of the tax cuts proposed by the bill, the revenue loss for the following five (5) year period will likely be significantly greater.

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<sup>6</sup>See General Mobility, etc., for 2018-2019 which I have uploaded here:

[http://probono.slnews.us/2020SB278/2020\\_02\\_04\\_Census\\_2019\\_tab01\\_11.xls](http://probono.slnews.us/2020SB278/2020_02_04_Census_2019_tab01_11.xls)

and

<http://slnews.us/sb020420e>

Finally, it is important to understand what pension money is. In the main, all payments with respect to pensions represent taxable income that, with the exception of contributions to Roth Individual Retirement Accounts, have never been taxed. In other words, the funds in pension plans, for the most part, represent income that has already accumulated tax-free. There is no reasonable justification for further excluding this income from tax.<sup>7</sup>

I have not been able to find or make calculations of the economic classes that benefit the most from all types of pension plans. However, I have been able to make calculations with respect to Simplified Employee Pensions (“SEPs”) and Individual Retirement Accounts (“IRAs”).

IRAs and SEPs have been widely viewed as “pensions for Everyman” (or, if you prefer, “Everywoman”). However, upon examination I discovered that most of the benefits of SEPs and IRAs inure to the benefit of the wealthy. In making my analysis, I used statistics from the IRS based upon income tax returns filed for tax year 2016, the most recent year available. I have prepared a chart, a copy of which is attached as *Attachment B*, that shows the results of my analysis.<sup>8</sup>

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<sup>7</sup>The justification behind this favorable tax treatment is that it would encourage individuals to save for retirement. The funds that they have accumulated for retirement would be paid to them at a time when, generally speaking, they were retired and thus had no income from their employment. In other words, the amounts accumulated would be paid to them when their over-all income was reduced and they were in lower income brackets.

<sup>8</sup>The URL for the portal to the statistics from the IRS is set forth on *Attachment B*. I used four tables that can be accessed via that portal. I have also uploaded those tables as follows:

Table 1—Taxpayers with Individual Retirement Arrangement Plans by Type of Plan:

[http://probono.slnews.us/2020HB61/2020\\_01\\_27\\_table\\_1.xls](http://probono.slnews.us/2020HB61/2020_01_27_table_1.xls)

Table 2—Taxpayers with Individual Retirement Arrangement Plans by Size of Adjusted Gross Income:

[http://probono.slnews.us/2020HB61/2020\\_01\\_27\\_table\\_2.xls](http://probono.slnews.us/2020HB61/2020_01_27_table_2.xls)

Table 3—Taxpayers with Individual Retirement Arrangement Plans by Type of Plan and Size of Adjusted Gross Income:

[http://probono.slnews.us/2020HB61/2020\\_01\\_27\\_table\\_3.xls](http://probono.slnews.us/2020HB61/2020_01_27_table_3.xls)

(continued...)

*Attachment B* shows that in 2016:

- Only 6.45% of all taxpayers made IRA contributions (*Attachment B, Row G*);
- While 77.26% of all taxpayers were eligible to make such contributions, only 8.35% of those eligible actually made contributions (*Attachment B, Rows E and H*);
- By the end of 2016, only about 9.7% of taxpayers had any money in SEPs or IRAs (*Attachment B, Row I*);
- The average market value of the assets in those SEPs and IRAs was only a little over \$35K. However, if one drills down into the statistics, one can see how skewed toward the wealthy SEPs and IRAs are:
  - Only about 781,470 taxpayers reported income of more than \$1M. These wealthy taxpayers represented very small fraction (0.3825%) of all taxpayers. Yet, the market value of their SEPs and IRAs was, on the average, \$235,274 and represented 3.0842% of the total market value of all IRAs and SEPs (*Attachment B, Rows O and P*);
  - Taxpayers reporting income of over \$200K represented only 6.2603% of all taxpayers. Yet, this small sliver of all taxpayers held 28.8416% of the market value of all SEPs and IRAs (*Attachment B, Row T*);
  - Over half (51.4111%) of SEP/IRA assets are held by those over age 65 (*Attachment B, Row FF*). Those over age 60 hold 69.4616% of all SEP/IRA assets (*Attachment B, Row GG*).

S.B. 278 does somewhat limit the tax benefits flowing to the wealthy, but not by much. For instance, it limits benefits to “individuals” who have federal adjusted gross income of \$100,000.00. This “limitation” can easily be gamed. Married couples who have family income of \$200,000.00 or less would still be able to obtain the benefits of S.B. 278 by arranging to split their income so that neither spouse exceeds the \$100,00.00 limit. Thus, the well-off can easily arrange their affairs to maximize the income that is exempt from taxation.

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<sup>8</sup>(...continued)

Table 4—Taxpayers with Individual Retirement Arrangement Plans by Age of Taxpayer:

[http://probono.slnews.us/2020HB61/2020\\_01\\_27\\_table\\_4.xls](http://probono.slnews.us/2020HB61/2020_01_27_table_4.xls)

The bill also extends tax-free benefits only for the first \$50,000.00 of pension income for each individual. However, this limitation is relatively meaningless. According to the Pension Rights Center, in 2017 the median benefit for persons age 65 and older with income from private pensions and annuities, public pensions, and veterans benefits was significantly lower than \$50,000.00. The highest benefits went to former federal government employees and the median annual benefit to those individuals was only \$28,868.00. The median annual private pension benefit was only \$9,645.00. I have attached the report of the Pension Rights Center as *Attachment C*. In other words, the limitation cap is virtually no limitation at all, since most pensions fall well below the \$50,000.00 cap.

### *Conclusion*

S.B. 278 is poorly conceived and badly drafted legislation. It:

- Addresses a purported problem, the alleged mass migration of Marylanders to other states, that does not, in fact, exist;
- Rests on an unsubstantiated claim that retirees are leaving the state in significant numbers;
- Makes a claim that taxes are a primary driver of migration to other states when, in fact, the evidence is that taxes are not a primary driver of such migration;
- Is not supported by any evidence that it will ameliorate the non-existent problems that the Governor claims exist;
- Cuts an enormous hole in both state and local revenues;
- Contains “limitations” that are, at best, illusory and, for the most part, totally ineffectual; and
- Confers tax benefits on the well-off with respect to income that, for the most part, has already accumulated tax-free.

For all of the foregoing reasons, I would ask that the Committee either not report out S.B. 278 or report it out unfavorably.

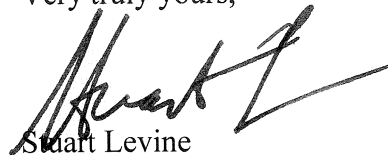


**Senator Guy Guzzone, Chair**  
**Senator Jim Rosapepe, Vice-Chair**  
**Senate Budget and Tax Committee**  
**February 4, 2020**  
**Page 8**

**Stuart Levine**

I have sent a copy of this letter, with all attachments, to all of the members of the Committee as well as all of the co-sponsors of the bill.

Very truly yours,



Stuart Levine

Attachments (as noted)

cc: Senator Adelaide C. Eckardt ( Via E-Mail: [adelaide.eckardt@senate.state.md.us](mailto:adelaide.eckardt@senate.state.md.us), w/copies of attachments)  
Senator George C. Edwards ( Via E-Mail: [george.edwards@senate.state.md.us](mailto:george.edwards@senate.state.md.us), w/copies of attachments)  
Senator Sarah K. Elfreth ( Via E-Mail: [sarah.elfreth@senate.state.md.us](mailto:sarah.elfreth@senate.state.md.us), w/copies of attachments)  
Senator Melony Griffith ( Via E-Mail: [melony.griffith@senate.state.md.us](mailto:melony.griffith@senate.state.md.us), w/copies of attachments)  
Senator Nancy J. King ( Via E-Mail: [nancy.king@senate.state.md.us](mailto:nancy.king@senate.state.md.us), w/copies of attachments)  
Senator Cory V. McCray ( Via E-Mail: [cory.mccray@senate.state.md.us](mailto:cory.mccray@senate.state.md.us), w/copies of attachments)  
Senator Thomas V. (Mike) Miller ( Via E-Mail: [thomas.v.mike.miller@senate.state.md.us](mailto:thomas.v.mike.miller@senate.state.md.us), w/copies of attachments)  
Senator Douglas J. J. Peters ( Via E-Mail: [douglas.peters@senate.state.md.us](mailto:douglas.peters@senate.state.md.us), w/copies of attachments)  
Senator Johnny Ray Salling ( Via E-Mail: [johnnyray.salling@senate.state.md.us](mailto:johnnyray.salling@senate.state.md.us), w/copies of attachments)  
Senator Andrew A. Serafini ( Via E-Mail: [andrew.serafini@senate.state.md.us](mailto:andrew.serafini@senate.state.md.us), w/copies of attachments)  
Senator Craig J. Zucker ( Via E-Mail: [craig.zucker@senate.state.md.us](mailto:craig.zucker@senate.state.md.us), w/copies of attachments)  
Senator Jack Bailey ( Via E-Mail: [jack.bailey@senate.state.md.us](mailto:jack.bailey@senate.state.md.us), w/copies of attachments)  
Senator Pamela Beidle ( Via E-Mail: [pamela.beidle@senate.state.md.us](mailto:pamela.beidle@senate.state.md.us), w/copies of attachments)  
Senator Mary Beth Carozza ( Via E-Mail: [marybeth.carozza@senate.state.md.us](mailto:marybeth.carozza@senate.state.md.us), w/copies of attachments)

Senator Robert Cassilly ( Via E-Mail: [Bob.Cassilly@senate.state.md.us](mailto:Bob.Cassilly@senate.state.md.us), w/copies of attachments)  
Senator Jason C. Gallion ( Via E-Mail: [jason.gallion@senate.state.md.us](mailto:jason.gallion@senate.state.md.us), w/copies of attachments)  
Senator Stephen S. Hershey, Jr. ( Via E-Mail: [steve.hershey@senate.state.md.us](mailto:steve.hershey@senate.state.md.us), w/copies of attachments)  
Senator J. B. Jennings ( Via E-Mail: [jb.jennings@senate.state.md.us](mailto:jb.jennings@senate.state.md.us), w/copies of attachments)  
Senator Justin Ready ( Via E-Mail: [justin.ready@senate.state.md.us](mailto:justin.ready@senate.state.md.us), w/copies of attachments)  
Senator Bryan W. Simonaire ( Via E-Mail: [bryan.simonaire@senate.state.md.us](mailto:bryan.simonaire@senate.state.md.us), w/copies of attachments)  
Senator Chris West ( Via E-Mail: [chris.west@senate.state.md.us](mailto:chris.west@senate.state.md.us), w/copies of attachments)  
File

**ATTACHMENT A**

**STUDY OF CENTER ON BUDGET AND POLICY  
PRIORITIES**

**“STATE ‘INCOME MIGRATION’ CLAIMS ARE  
DEEPLY FLAWED”**

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October 20, 2014

## State “Income Migration” Claims Are Deeply Flawed

By Michael Mazerov

Some proponents of state income tax cuts are making highly inaccurate claims about the impact of interstate migration patterns on states with relatively high income taxes based on a misleading reading of Internal Revenue Service data.

Those making these arguments claim that many of the people who leave states with relatively robust income taxes do so largely in order to pay little or no income tax in another state, and that they take their incomes with them when they move, harming the economies of the states they left. As a consequence, these “income migration” proponents claim, states with relatively high income taxes are suffering severe damage from the loss of income as “money walks” out of their states to lower-tax states.<sup>1</sup>

The first part of this argument — that interstate differences in tax levels are a major explanation for interstate migration patterns — is not supported by the evidence, as we documented in an earlier paper.<sup>2</sup> People rarely move to lower their state income taxes. Other factors, such as job opportunities, family considerations, climate, and housing costs, are much more decisive.

The second part of the argument — that states with relatively high income taxes are suffering severe economic damage because they are losing the incomes of people who migrate to other states — is also deeply flawed.

- **Income migration analyses ignore that the vast majority of people *can’t* take their income with them to a new state because they work for someone else.** When people leave

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<sup>1</sup> For examples of this sort of claim see Travis H. Brown’s 2013 book *How Money Walks* and Arthur Laffer, et. al.’s 2014 book *An Inquiry into the Nature and Causes of the Wealth of States*. See also Richard Borean, “Monday Map: Migration of Personal Income,” Tax Foundation, August 19, 2013, <http://taxfoundation.org/blog/monday-map-migration-personal-income>, and Wendell Cox and E.J. McMahon, “Empire State Exodus: The Mass Migration of New Yorkers to Other States,” Empire Center for New York State Policy, October 2009, <http://www.empirecenter.org/publications/empire-state-exodus/>.

<sup>2</sup> Michael Mazerov, “State Taxes Have a Negligible Impact on Americans’ Interstate Moves,” Center on Budget and Policy Priorities, revised May 21, 2014; <http://www.cbpp.org/cms/index.cfm?fa=view&id=4141>. See the text box on page 3 for a summary of this report.

a state, they usually also leave their job. The income they made in that job then typically goes to the person who gets that job next; it does *not* leave the state.

For example, consider a California sales representative who is transferred to Nevada. According to “income migration” proponents, California’s economy is weakened because the sales representative moved away and took her income with her. In reality, her income stayed with her employer and was then transferred to her replacement. California’s economy was not harmed.

- **These analyses also ignore the income gains that accrue to other in-state small businesses when business owners move away.** For example, if a New York doctor in private practice retires and moves to Florida, his or her patients — and their payments — will go to some other New York provider, increasing that provider’s income. Also, the owner of a successful business who leaves will often sell it to someone who will continue to operate it. “Income migration” analyses miss these realities because they focus only on people who move from one state to another, ignoring what happens to the incomes of people who *don’t* move.
- **These analyses also do not trace what happens to the income of a person after he or she leaves a state.** Income migration proponents effectively assume that the income of a person who leaves a state will stay the same after the move, *even if the person doesn’t find a job in the new location or is moving there to retire.* That assumption further skews their results. For example, when someone from New Jersey retires to Florida, income migration analyses claim that New Jersey’s economy lost income equal to the person’s pre-retirement salary, even though their income probably would have declined even if they had stayed in New Jersey.
- **Other shortcomings in income migration analyses further exaggerate the size of interstate income flows.** For example, some people leave a state but continue to work there. These people usually continue to contribute to the economy and tax revenue base of the state where they still work, even though their home is now elsewhere. Income migration analyses exaggerate the income lost to the worker’s old home state by effectively claiming that *all* of their income is lost to the economies of the states from which they moved.

To be sure, some income *does* automatically follow a person when he or she leaves a state — pensions, Social Security, and investment earnings, for example. But they represent a relatively small share of total taxable income — under one-fifth in most states. And, as with other forms of income, much of such income that is “lost” to a state when people move out is replaced by income “gained” when others move in.

Policymakers should focus their attention on the policy choices most likely to grow the incomes of their current and future residents, and not be distracted by misleading claims about income migration. The chief policy prescription that the income migration concept is used to justify — deep cuts in (or outright repeal of) state income taxes — would likely prove self-defeating, leading to deteriorating K-12 education, state universities, parks, roads, public safety, and other services that make states places where businesses want to invest and where the engineers, managers, and other personnel they need to hire want to live.

## State Taxes Have Negligible Impact on Interstate Moves

Proponents of the income migration concept cite it — and the IRS data that allegedly measure it — in service of a broader claim: that interstate differences in tax levels drive large numbers of people to consciously “vote with their feet” and move from higher-tax states to lower-tax ones. Studies, however, don’t support this claim, as a recent CBPP paper<sup>a</sup> explained:

- **Relatively few Americans relocate from state to state, and a miniscule share of them report that they moved because of taxes.** Only about 1.5 to 2 percent of U.S. residents relocate across state lines each year, and the rate seems to be declining. And of that 1.5 to 2 percent, the vast majority cite new, transferred, or lost jobs or family-related reasons (like needing to care for an ailing relative).
- **People who move are nearly as likely to move from low-tax states to high-tax states as the reverse — in some cases, more likely.** Between 1993 and 2011, for example, no-income-tax Florida lost households to 15 states, 11 of them with income taxes. Net in-migration of households to North Carolina, which had the highest income taxes of any Sunbelt state throughout this period, was more than double that of its no-income-tax neighbor Tennessee. Other migration patterns also confound the taxes-drive-migration thesis; for example, almost as many people moved to Arizona (which has an income tax) as to Texas (which doesn’t), even though Texas is a much larger state with many more jobs for a potential in-mover to fill.
- **Migrants to no-income-tax states aren’t disproportionately high-income.** For example, more than three times as many people moving from New York to Florida between 2008 and 2012 had incomes below \$50,000 as above \$100,000 — a ratio roughly in proportion to their shares of the population. If income taxes were a major reason that more people move from New York to Florida than vice versa, one would expect the people moving to Florida to be disproportionately high income.
- **Climate is a major driver of interstate migration; people — especially retirees — continue to move from cold, snowy states to Sunbelt states regardless of the tax levels in either the origin or destination state.** No-income-tax Florida and Texas had the highest net in-migration of any states from 1993-2011, but income-tax-levying Arizona and relatively high-income-tax North Carolina were close behind.
- **Reductions in housing costs, not taxes, are what save families the most money when they move from states like New York and California to states like Texas and Florida.** Taxes are much less consequential than housing costs for most families making many of the specific state-to-state moves often attributed to taxes. For example, a typical family with a \$75,000 income selling its home in Los Angeles in 2010 and buying one in Houston would have saved more than two and a half times as much in mortgage payments as in state and local taxes. The same family moving from New York City to Miami would have saved more than three times as much in housing costs as in state and local taxes.

<sup>a</sup> Michael Mazerov, “State Taxes Have a Negligible Impact on Americans’ Interstate Moves,” Center on Budget and Policy Priorities, revised May 21, 2014, <http://www.cbpp.org/cms/?fa=view&id=4141>.

## IRS Data on Interstate Migration

Proponents of the income migration thesis base their findings on a misleading reading of IRS data. Those data define an interstate move as having occurred when a tax return filed under a particular Social Security number in a specific state in one year is filed under the same Social Security number but in a different state the following year.<sup>3</sup> These data are available for all possible combinations of state-to-state moves from the late 1980s to 2011.<sup>4</sup>

The IRS data confirm what common sense would suggest: every year, every state sees some households moving in and others moving out. “Net migration” is the difference between the two and can be positive or negative. Many states, primarily northern “Frostbelt” states, have experienced fairly consistent net out-migration for several decades, while many “Sunbelt” states have experienced fairly steady net in-migration.

Beginning with interstate moves that occurred between 1992 and 1993, the IRS included in its migration data the total household income (adjusted gross income, or AGI) of the tax returns that moved between states.<sup>5</sup> Proponents of the income migration concept simply aggregate the AGIs reported on all the migrating household tax returns — those moving into a given state and those moving out. Accordingly, a state experiencing net out-migration of households will generally show what proponents characterize as a net “loss of income due to migration.”<sup>6</sup>

For example, the IRS data show that the 3.3 million households moving out of New York between 1993 and 2011 reported aggregate AGIs of approximately \$170 billion, while the 2.3 million households moving *into* New York reported aggregate AGIs of approximately \$103 billion. Income migration proponents cite these numbers to argue that New York “lost” approximately \$67 billion in income as a result of the net out-migration of households and suffered lost jobs and other economic damage as a result, since that income was no longer available for consumer spending in the New York economy. These claims are deeply flawed, for a number of reasons discussed below.

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<sup>3</sup> Such a “migrated” tax return is a reasonable proxy for the interstate move of a single household, since most married couples file joint returns.

<sup>4</sup> Tax year 2009 and 2010 tax returns were usually filed in calendar years 2010 and 2011, respectively. Thus, a move that occurred between the filing of the 2009 and 2010 tax year returns appears in what the IRS refers to as its “2010-11 migration file.” The Adjusted Gross Income (AGI) data in the file is that shown on the return filed in the second year, tax year 2010 in this example.

<sup>5</sup> For moves that occurred between 1992 and 1993, 1993 and 1994, and 1994 and 1995, the income data included in the IRS migration database was actually “total money income” rather than adjusted gross income. The amounts generally should be of the same order of magnitude.

<sup>6</sup> The measured “migration of income” is also affected by the *relative* AGIs of the households moving in and out. It is possible for a state to experience net out-migration of *households* during a particular time interval but experience net in-migration of *income* during that period if the net loss of households is relatively small and the households moving into the state report higher average incomes than the households moving out. Nonetheless, whether a state shows “net in-migration of AGI” or “net out-migration of AGI” in the IRS data is determined in most cases by whether it is a net in- or out-migration state with respect to total *households*.

## Vast Majority of Income “Lost” Due to Out-Migration Never Leaves the State

The IRS data provide an incomplete — and thus seriously misleading — picture of whether states experiencing out-migration actually “lose income.” In reality, the income allegedly lost when people leave a state generally goes to two groups of people: those moving into the state and those already in the state who are entering the state’s labor force.

- **People moving into a state replace the vast majority of the income of people moving out of it.**<sup>7</sup> The IRS migration data show that in 20 of the 26 states that experienced net out-migration of households between 1993 and 2011, at least 80 percent of the income supposedly lost through out-migration was replaced by income gained through in-migration.<sup>8</sup>
- **People entering a state’s labor force receive most of the rest of the income previously earned by people who left the state.** If the jobs of people who leave a state are filled by people *already in the state* who have just reached working age, graduated from high school or college, were previously unemployed, or are otherwise re-entering the labor force, their income will *not* show up in the IRS migration data because they haven’t migrated. Likewise, if immigrants from foreign countries fill the jobs of out-movers, their incomes usually will not be counted either.<sup>9</sup>

As Table 1 indicates, every state that experienced net out-migration in 1993-2011 except Michigan nevertheless saw an *increase* in the total number of people employed. For example, even though California lost 768,000 households due to migration, it both filled the jobs of those who left and generated almost 2.3 million new jobs.<sup>10</sup> Since these states did not suffer a net loss of jobs, it is highly misleading to treat the wages of people who left the state as income “lost” to the state economy, as income migration proponents do.<sup>11</sup> This particular misinterpretation of

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<sup>7</sup> As discussed below, it is impossible to determine the extent to which the incomes that appear in the IRS migration database were earned in the origin state, the destination state, or a combination of the two. The discussion in this paragraph assumes for the sake of argument that people who move to a different state manage to find jobs in their new location that pay comparable salaries.

<sup>8</sup> The other six states — Illinois, Louisiana, Michigan, New Jersey, New York, and Ohio — replaced between 60 and 80 percent of the income “lost” to out-migration through in-migration alone.

<sup>9</sup> The IRS migration database includes a line for the aggregate AGIs of returns that moved from a foreign location to the United States. However, that line only includes people who moved to the United States from a U.S. possession (such as Puerto Rico) in which they previously were required to file a U.S. tax return or U.S. citizens (such as military personnel) returning from abroad. It does not include someone who immigrates into the United States from a foreign country and takes a job here but who did not previously file a U.S. return because he or she had no U.S.-source income.

<sup>10</sup> Of course, the statement that California “filled the jobs of those who left” is not meant to be taken literally. State economies are dynamic, and specific, existing jobs are eliminated all the time. The point is that California created a sufficient number of jobs over this period to effectively replace the jobs of all employed people who left the state and to employ an *additional* 2.3 million persons.

<sup>11</sup> This is not to say that *no* income is ever lost to a state’s economy when the job of someone who leaves the state is filled by someone already in the state. It is possible, for example, for the job to be filled by someone with less experience than the incumbent, who accordingly will be paid a lower salary. On the other hand, it is also possible for the job to be filled by someone who is promoted into the job and receives the incumbent’s salary, with a chain of upward promotions being triggered and resulting in the same total salary payments within the business or organization.



Table 1

**All States Except Michigan Gained Jobs and Income from 1993-2011 Regardless of the Change in Households from Interstate Migration**

|                      | <b>Net Change in Households<br/>Due to Interstate Migration<br/>(in thousands) 1993-2011</b> | <b>New Non-Farm Jobs<br/>(in thousands)<br/>1993-2011</b> | <b>Average Annual Growth in<br/>Adjusted Gross Income of<br/>State Residents 1993-2011</b> |
|----------------------|--|---|--|
| Alabama              | 34   | 153   | 4.2%   |
| Alaska               | -11  | 78  | 4.6%   |
| Arizona              | 466  | 828   | 6.0%   |
| Arkansas             | 49   | 176   | 4.7%   |
| California           | -768   | 2,261   | 5.0%   |
| Colorado             | 242  | 588   | 5.7%   |
| Connecticut          | -135   | 94  | 4.6%   |
| Delaware             | 34   | 68  | 4.4%   |
| District of Columbia | -25  | 56  | 5.1%   |
| Florida              | 931  | 1,702   | 5.3%   |
| Georgia              | 402  | 758   | 5.0%   |
| Hawaii               | -31  | 55  | 3.5%   |
| Idaho                | 57   | 177   | 4.8%   |
| Illinois             | -438   | 346   | 4.0%   |
| Indiana              | -59  | 220   | 3.6%   |
| Iowa                 | -73  | 208   | 4.2%   |
| Kansas               | -59  | 205   | 4.3%   |
| Kentucky             | 43   | 246   | 4.2%   |
| Louisiana            | -123   | 245   | 4.5%   |
| Maine                | 0  | 75  | 4.1%   |
| Maryland             | -36  | 438   | 4.7%   |
| Massachusetts        | -179   | 414   | 5.0%   |
| Michigan             | -360   | -47   | 3.0%   |
| Minnesota            | -32  | 437   | 4.8%   |
| Mississippi          | -7   | 89  | 4.5%   |
| Missouri             | 26   | 272   | 4.1%   |
| Montana              | 17   | 105   | 4.9%   |
| Nebraska             | -41  | 183   | 4.6%   |
| Nevada               | 292  | 454   | 6.3%   |
| New Hampshire        | 17   | 126   | 4.9%   |
| New Jersey           | -329   | 355   | 4.3%   |
| New Mexico           | 19   | 177   | 4.9%   |
| New York             | -1,049   | 927   | 4.6%   |
| North Carolina       | 454  | 670   | 4.9%   |
| North Dakota         | -22  | 112   | 5.4%   |
| Ohio                 | -332   | 179   | 3.3%   |
| Oklahoma             | 10   | 317   | 4.8%   |
| Oregon               | 145  | 302   | 4.5%   |
| Pennsylvania         | -215   | 561   | 4.1%   |
| Rhode Island         | -39  | 31  | 4.1%   |
| South Carolina       | 180  | 263   | 4.6%   |
| South Dakota         | -5   | 90  | 5.1%   |
| Tennessee            | 205  | 330   | 4.4%   |
| Texas                | 500  | 3,082   | 5.9%   |
| Utah                 | 18   | 398   | 5.8%   |
| Vermont              | -7   | 43  | 4.3%   |
| Virginia             | 122  | 775   | 5.3%   |
| Washington           | 173  | 607   | 5.1%   |
| West Virginia        | -7   | 103   | 3.9%   |
| Wisconsin            | -57  | 346   | 4.1%   |
| Wyoming              | 1  | 76  | 6.1%   |

Source: Internal Revenue Service interstate migration and Statistics of Income databases, and Bureau of Labor Statistics

the IRS data has a substantial impact on the overall income migration figures often cited, because wages and salaries account for more than two-thirds of total AGI reported on federal tax returns.<sup>12</sup>

Similarly, most of the *business* income of self-employed people and other small business owners isn't lost when they leave a state. Departing small business owners often sell their businesses to people who will keep operating them. Even if they shut them down, different businesses already in the state will often fill the demand for the goods and services they provided. If a doctor or a plumber leaves a state, for example, some other doctor or plumber will pick up the leaver's patient or client. Under scenarios like these, business owners or self-employed individuals remaining in the state will see a corresponding increase in their AGIs, but that increase will *not* show up in the IRS migration data.<sup>13</sup>

As Table 1 shows, every state saw total AGI reported by state residents grow significantly between 1993 and 2011. In other words, none of the states that experienced net out-migration during that period actually "lost income."

### Other Limitations of IRS Migration Data Further Exaggerate Income Migration

Other significant limitations in the IRS migration data cause them to substantially exaggerate the amount of income that can reasonably be characterized as "lost due to (out) migration." Those limitations concern four groups of people:

- **People who are retiring.**<sup>14</sup> A large share of the people leaving relatively high-income-tax states like New York and New Jersey for no-income-tax states like Florida do so upon retirement. Their AGIs in the IRS migration data likely include, in part, salary or wages received before they quit their job. (The IRS data cannot determine the month in which the person moved, nor does the IRS trace movers to determine how much income they report in the first full year of residence in their new state.) Counting all of the income of retiring workers as "income lost

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<sup>12</sup> Calculated from Internal Revenue Service data for tax year 2012 (the most recent available) at [http://www.irs.gov/file\\_source/pub/irs-soi/12in14ar.xls](http://www.irs.gov/file_source/pub/irs-soi/12in14ar.xls).

<sup>13</sup> The departure of a business can result in a loss of income to a state in certain circumstances. As an example, consider the owner of a small manufacturing company who decides to move to another state and closes the business. Assume that an *out-of-state business* manages to grab the customers of the liquidating firm. In that case, the state in which the closing business was located would likely lose the salary and taxable profit of the former owner from its income tax base because the owner of the out-of-state business probably lives out-of-state as well. But this scenario would likely be the exception rather than the rule because most small businesses supply goods and services to a fairly localized market. See Erik Hurst and Benjamin Wild Pugsley, "What Do Small Businesses Do?" Brookings Papers on Economic Activity, August 2011, [http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2011\\_fall\\_bpea\\_papers/2011\\_fall\\_bpea\\_conference\\_hurst.pdf](http://www.brookings.edu/~media/Files/Programs/ES/BPEA/2011_fall_bpea_papers/2011_fall_bpea_conference_hurst.pdf).

<sup>14</sup> The discussion in this paragraph assumes that the person who retired from a job and then left the state is *not* replaced in that job by someone already in the state or by an immigrant from another country. If he or she *is* replaced by such a person, then the discussion of the preceding section in this report is applicable and there may be no "loss of income" to that state whatsoever.

due to migration” ignores the fact that much of it would have been “lost” even if they *hadn’t* left,<sup>15</sup> since people’s AGI usually drops sharply when they retire.<sup>16</sup>

- **People who are laid off.** When people leave a state after being laid off, a substantial share of their AGI reflected in the IRS migration data was likely earned before the layoff and would have been lost to the state economy even if they hadn’t left. In other words, the state economy did not “lose income” because they migrated; they migrated because they — and the state economy — lost income.
- **People who leave the state but continue to work there.** The IRS migration data treat people who change their state of residence as having migrated even if they continue to work in their old state. That income legally can be (and usually is) taxed by the state in which the work is performed.<sup>17</sup> In turn, that tax revenue will be spent — and thereby provide employment — in that state’s economy. In addition, people who move away but still work in their old state likely patronize that state’s restaurants and stores to some extent, injecting additional demand (and sales tax revenue) into the state’s economy.

This shortcoming of the IRS data may exaggerate the “income loss due to migration” of New York and Massachusetts in particular, two states that income migration proponents often criticize for their income tax rates. Between 1993 and 2011, 492,000 households left New York for New Jersey, 164,000 left New York for Connecticut, and 151,000 left Massachusetts for New Hampshire. Many workers commute into New York City from New Jersey and Connecticut, as well as from southern New Hampshire to the Boston metro area. These commuters undoubtedly include many people who migrated into these three states, and the amount of income migration out of New York and Massachusetts is exaggerated because both states continue to tax the salaries of these non-residents and benefit from their workday spending.

- **People who haven’t completely left their home state.** There is no requirement that the address on a federal tax return be that of the taxpayer’s legal state of residence under state law. Accordingly, if a legal resident of New York (for example) who spends December through

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<sup>15</sup> To see this, consider someone who lived and worked in New York in 2009, filed his 2009 tax return reporting an annual salary of \$50,000 on April 15, 2010, retired on December 31, 2010 and saw his 2011 AGI drop to \$25,000, moved to Florida on February 15, 2011, and filed his 2010 return on April 15, 2011. This person would show up in the 2010-2011 IRS migration file (the most recent the IRS has made available) with an AGI of \$50,000. “Income migration” proponents would deem all \$50,000 to be “income lost due to migration,” despite the fact that if the person had chosen to stay in New York, New York would have lost \$25,000 in AGI anyway because the person’s income dropped.

<sup>16</sup> According to a 2012 Social Security Administration study, the total household income of the median retiree household falls by almost one-fourth in the first or second year after retirement. The total household income of a retiree household in the bottom quarter of the income distribution falls by more than half in the first or second year. (Patrick J. Purcell, “Income Replacement Ratios in the Health and Retirement Study,” *Social Security Bulletin*, 2012, Table 1.) It seems likely that adjusted gross income reported on tax returns falls even further, because a considerable share of the Social Security income that a person usually begins receiving immediately upon retirement is tax-exempt.

<sup>17</sup> There are two exceptions. The District of Columbia is barred by a federal law from taxing the salaries of people who work there but reside elsewhere. Some states have income tax “reciprocity agreements” with other states, under which they mutually agree not to tax the salaries of residents of those states — ceding to the state of residence the sole authority to tax the income.

April at a second home in Florida decides to start listing the Florida address on his or her tax return, the IRS will deem this person — and all of his or her income — to have migrated to Florida in that year, even if the person continued to spend the same amount of the year (and the same share of his or her income) in New York.

Florida, which has no income tax, has an enormous “snowbird” population, estimated at 800,000 people in a 2007 study.<sup>18</sup> Accordingly, a significant share of the alleged income migration to this state actually reflects the IRS’s equation of a change in tax filing address with a permanent move. The same is likely true to a lesser extent of some other areas in no-income tax states that are popular locations for second homes or winter rentals — for example, Jackson Hole, Wyoming, southern Nevada, and the south Texas coast.

### **Only a Small Share of Total Income Actually “Migrates”**

Some types of income *can* reasonably be described as “migrating” when their recipients move, but they account for a relatively small share of total taxable income — under one-fifth in most states. These include things like pensions, Social Security benefits, and interest, dividends, and capital gains from bank accounts and other passive investments in stocks and bonds. In general, these types of income can only be taxed by the state in which the person receiving them resides. Accordingly, if a recipient of this income permanently leaves a state, the state’s economy and income tax base generally lose that income.

Taxable interest comprised just 1.2 percent of total AGI reported on federal tax returns in 2012, dividends 5.1 percent, and capital gains 6.8 percent.<sup>19</sup> Taxable Social Security benefits comprised 2.5 percent of federal AGI and pensions and annuities an additional 6.7 percent, but a majority of states substantially or completely exclude these types of income from taxation.<sup>20</sup>

### **Out-migration to Other States Remains a Concern**

The fact that proponents of the income migration concept wildly exaggerate the economic harm to states from out-migration does not mean that policymakers should be indifferent to people leaving their states. Net out-migration can be a signal that a state’s economy is not providing sufficient opportunities for some residents to use their skills fully and to improve their standard of living. Out-migration can damage a state’s long-term growth prospects if the people leaving tend to be working-age adults with critical job skills, high levels of education, and strong entrepreneurial drive.

While some claim that high state taxes are driving these types of people to move out of state, the evidence doesn’t support this claim.<sup>21</sup> Moreover, the incorrect assumption that state and local taxes are driving entrepreneurs, engineers, venture capitalists, and other skilled professionals to low-tax

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<sup>18</sup> Stanley K. Smith and Mark House, “Temporary Migration: A Case Study of Florida,” *Population Research and Policy Review*, 2007.

<sup>19</sup> Calculated from Internal Revenue Service data for tax year 2012 (the most recent available) at [http://www.irs.gov/file\\_source/pub/irs-soi/12in14ar.xls](http://www.irs.gov/file_source/pub/irs-soi/12in14ar.xls).

<sup>20</sup> Elizabeth C. McNichol, “Revisiting State Tax Preferences for Seniors,” Center on Budget and Policy Priorities, March 6, 2006, <http://www.cbpp.org/files/3-6-06sfp.pdf>.

<sup>21</sup> Mazerov, 2014.

states leads some conservatives to advocate policy choices that ultimately could be self-defeating with respect to stemming out-migration and encouraging long-term growth.

Because income taxes provide such a large share of revenue in the states in which they are levied, even modest cuts would likely impair a state's ability to provide high-quality education programs that train the engineers and business executives of tomorrow. Declining quality of local schools, state universities, roads, parks, mass transit, and other critical services also would likely discourage in-migration by the same kinds of highly skilled people that states need to attract. State policymakers thus would be wise to reject both the income migration concept and the misguided tax policy prescriptions that flow from it.

**ATTACHMENT B**

**STUART LEVINE**

**SEP/IRA ANALYSIS  
YEAR END 2016**

**SEP/IRA ANALYSIS  
YEAR END 2016  
STUART LEVINE  
SOURCE: INTERNAL REVENUE SERVICE**

**ACCESS:**

<https://www.irs.gov/statistics/soi-tax-stats-accumulation-and-distribution-of-individual-retirement-arrangements>

**OR**

<http://slnews.us/rbc010420>

(Last Viewed: January 27, 2020)

| Row | ITEM  | NUMBER              | PERCENTAGE |
|-----|---|---------------------|------------|
| A   | Total # of Taxpayers  | 204,315,356         |            |
| B   | Total # of Taxpayers with Pension Coverage on Forms W-2   | 74,056,673          |            |
| C   | % of Taxpayers with Pension Coverage on Forms W-2 (B/A)   |                     | 36.2463%   |
| D   | Taxpayers Eligible to Make IRA Contributions  | 157,857,108         |            |
| E   | % of Taxpayers Eligible to Make IRA Contributions (D/A)   |                     | 77.2615%   |
| F   | Total # of Taxpayers Who Made IRA Contributions   | 13,176,903          |            |
| G   | Taxpayers Who Made IRA Contributions as % of Total Number of Taxpayers (F/A)                      |                     | 6.4493%    |
| H   | Taxpayers Who Made IRA Contributions as % of Eligible Taxpayers (F/D)                             |                     | 8.3474%    |
| I   | End of Year # Taxpayers w/IRAs/SEPs and % of All Taxpayers  | 19,878,994          | 9.7296%    |
| J   | End of Year Total MV of IRAs/SEPs   | \$8,015,374,477,000 |            |
| K   | End of Year Average MV of IRAs/SEPs   | \$35,067            |            |
| L   | # of Taxpayers > \$1M w/IRAs/SEPs   | 155,625             |            |
| M   | Taxpayers>\$1M w/IRAs/SEPs as % of All Taxpayers (M/A)  |                     | 0.0762%    |
| N   | Total MV of IRAs Held by Taxpayers>\$1M w/IRAs/SEPs   | \$247,213,144,000   |            |
| O   | Avg. MV of IRAs/SEPs Held by Taxpayers>\$1M w/IRAs/SEPs   | \$235,274           |            |
| P   | Total MV of IRA's Held by Taxpayers>\$1M w/IRAs/SEPs as a % of Total MV of All of IRAs/SEPs (N/J) |                     | 3.0842%    |
| Q   | # of Taxpayers > \$200K w/IRAs/SEPs   | 8,303,940           |            |
| R   | Taxpayers > \$200K w/IRAs/SEPs as % of All Taxpayers (Q/A)  |                     | 6.4492%    |
| S   | MV of IRAs/SEPs Held by Taxpayers>200K  | \$2,311,761,732,000 |            |
| T   | Total MV of IRAs/SEPs Held by Taxpayers>200K as % of Total MV of All of IRAs/SEPs (S/J)           |                     | 28.8416%   |

| <b>ROW</b> | <b>ITEM</b>  | <b>NUMBER</b>       | <b>PERCENTAGE</b> |
|------------|--|---------------------|-------------------|
| <b>U</b>   | Total # Taxpayers > \$100K w/IRAs/SEPs   | 24,705,910          |                   |
| <b>V</b>   | Taxpayers > \$100K w/IRAs/SEPs as % of All Taxpayers (U/A)                     |                     | 12.0920%          |
| <b>X</b>   | MV of IRAs/SEPs Held by Taxpayers>100K   | \$4,888,167,716,000 |                   |
| <b>Z</b>   | MV of IRAs/SEPs Held by Taxpayers>100K as % of All Taxpayers (X/J)             |                     | 60.9849%          |
| <b>AA</b>  | Avg. MV of IRAs/SEPs Held by Taxpayers>\$1M w/IRAs/SEPs                        | \$235,274           |                   |
| <b>BB</b>  | Avg. MV of IRAs/SEPs Held by Taxpayers>\$500K but Less than \$1M w/IRAs/SEPs   | \$89,075            |                   |
| <b>CC</b>  | Avg. MV of IRAs/SEPs Held by Taxpayers>\$200K but Less than \$500K w/IRAs/SEPs | \$47,518            |                   |
| <b>DD</b>  | Avg. MV of IRAs/SEPs Held by Taxpayers>\$100K but Less than \$200K w/IRAs/SEPs | \$36,095            |                   |
| <b>EE</b>  | Avg. MV of All IRAs/SEPs   | \$35,067            |                   |
| <b>FF</b>  | Percentage of IRA/SEP Assets Held by Those over 65                             |                     | 51.4111%          |
| <b>GG</b>  | Percentage of IRA/SEP Assets Held by Those over 60                             |                     | 69.4616%          |



**ATTACHMENT C**

**PENSION RIGHTS CENTER**

**INCOME FROM PENSIONS**

**2017**



## Income from Pensions

In 2017, pension benefits provided income to nearly one third of older adults. Below are some statistics on the median benefits received by older adults.

### Median Pension Benefit

In 2017, one out of three older adults received income from private company or union pension plans, federal, state, or local government pension plans, or Railroad Retirement, military or veterans pensions. The median private pension benefit of individuals age 65 and older was \$9,645 a year. The median state or local government pension benefit was \$17,894 a year.

Table 10. Median benefit for persons age 65 and older with income from private pensions and annuities, public pensions, and veterans benefits

| Type of pension benefit        | <u>Median benefit, 2017</u> |
|--------------------------------|-----------------------------|
| Private pensions and annuities | \$9,645                     |
| Federal government pension     | \$28,868                    |

|                                   |          |
|-----------------------------------|----------|
| State or local government pension | \$17,894 |
| Railroad pension                  | \$24,413 |
| Military pension                  | \$21,441 |
| Veterans benefits                 | \$13,751 |

## Median Income by Retirement Benefit Type

In 2014, the median income of retiree aged units (with no earnings from work) age 65 and over with pensions and Social Security was more than twice the income of aged units receiving only Social Security.

Table 11. Median annual income of retiree (persons with no earnings) aged units 65 and older, by retirement benefit types

| Retirement benefit type | <u>Median income, 2014</u> |
|-------------------------|----------------------------|
| Social Security only    | \$15,871                   |
| Social Security and     | \$36,270                   |

|  |          |
|--|----------|
| private pension  |          |
| Social Security and a federal pension  | \$38,806 |
| Social Security and Railroad Retirement, state, local government or military pension | \$37,789 |

**For More Statistics on the Income of Older Adults:**

[Income of Older Adults from All Sources](#)

[Income of Different Groups](#)

[Sources of Income for Older Adults](#)

[Income from Social Security](#)

[Income from Other Sources](#)

[Explanation of Different Income Measures](#)

# **MD Center Economic Policy\_UNFAV**

Uploaded by: Schumitz, Kali

Position: UNF

# Further Tax Cuts Based on Age Rather than Need Will Make Maryland Worse Off

## Position Statement in Opposition to Senate Bill 278

*Given before the Senate Budget and Taxation Committee*

Sufficient tax revenue is essential for supporting the investments that make Maryland a good place to live, work and spend one's golden years. Additional tax cuts on retirement income would result in financial gain primarily for the wealthiest households, while costing the state nearly \$650 million over the next five years. While it is important to support retirees who struggle to make ends meet, as well as people with disabilities, costly across-the-board tax breaks on retirement income are more likely to harm low-income seniors than help them. For these reasons, the Maryland Center on Economic Policy opposes Senate Bill 278.

Maryland has underinvested in the foundations of our communities, such as health care, transportation, and education, since the Great Recession. That gap is expected to widen as today's outdated tax code falls further behind Marylanders' unmet needs. The aging of our population is an important contributor, bringing higher health care costs as well as lower wages—which mean less tax revenue—as young workers replace retirees.<sup>i</sup> Insufficient revenue growth will make it more difficult for us to invest in things that make Maryland an inviting place to retire, such as accessible transportation options and high-quality long-term care. Senate Bill 278 would make these investments even harder, ultimately harming the people the bill is intended to benefit.

The truth is, Maryland already offers larger tax breaks to older adults than most other states, including exemptions for pension and Social Security income and an enhanced personal exemption. Altogether, a married couple in Maryland over age 65 could deduct up to \$58,400 as of 2015.<sup>ii</sup> State tax breaks for older Marylanders totaled more than \$400 million in FY 2018, according to the Department of Budget and Management.<sup>iii</sup> Once fully phased in, Senate Bill 278 could hike that cost by 60 percent or more.

The Department of Legislative Services estimates that Senate Bill 278 will cost the state more than \$287 million per year when fully phased in, with an additional \$238 million per year cost to local governments.<sup>iv</sup> This takes away resources the state and local governments need to provide public services older adults rely on, such as high-quality health care, as well as things like world-class public schools that lay the groundwork for the kind of state most older Marylanders want for their children and grandchildren.

While it is positive that the legislation places an income cap on who qualifies, it is still likely that those at the higher end of the income range covered by this bill are likely to receive the greatest share of the benefits. Structuring the tax breaks as deductions tilts the scales toward wealthier households, providing meager benefits

for lower-income seniors who pay more in sales and property taxes than income taxes. Low- and moderate-income households and people of color face barriers that make it harder for them to put away a nest egg for retirement, which means that tax breaks like Senate Bill 278 would provide them little benefit. This legislation would likely increase the racial wealth gap by granting greater benefits to those who have significant assets saved for retirement and who have high enough income to owe significant income taxes.

While many older Marylanders face financial hardship, this is not true across the board—and Senate Bill 278 would do little for seniors who could use the most help. Among Maryland households headed by a person age 65 or older, 22 percent had less than \$25,000 in annual income in 2018, nearly 120,000 households altogether.<sup>v</sup> About 16 percent of Maryland tax filers with income less than \$25,000 did not owe state income tax in 2016, meaning that they would gain no benefit from Senate Bill 278—even though they may pay significant sales and property taxes.<sup>vi</sup> To gain the full benefit of Senate Bill 278 once fully phased in, a tax filer would have to have at least \$50,000 in taxable income, or about \$63,000 in total income for a married couple over age 65.<sup>vii</sup> These Marylanders would benefit more from high-quality state services than from a tax break.

Expanding tax breaks that primarily benefit affluent households would shift resources away from important public services that Marylanders of all ages rely on. Lawmakers should focus on policies that help Marylanders who need it most and strengthen our economy in the long run. Reforming the tax breaks Maryland offers aging adults would help the state provide these essential services while continuing to protect older Marylanders who struggle to make ends meet. Senate Bill 278 would do the opposite.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the Senate Budget and Taxation Committee make an unfavorable report on Senate Bill 278.**

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## Equity Impact Analysis: Senate Bill 278

### *Bill summary*

Senate Bill 278 would allow tax filers to reduce their Maryland taxable income if they receive Social Security retirement or survivor benefits or if they are at least 65 years old and not working full time. The allowed income subtraction begins at \$10,000 for tax year 2022 and phases up to \$50,000 by 2026. Tax filers with federal adjusted gross income over \$100,000 would not be eligible for tax breaks under Senate Bill 278.

### *Background*

Maryland's income tax system already includes several types of special treatment for retirees. Social Security benefits are exempt from the income tax, and Marylanders over age 65 receive an additional \$1,000 personal exemption. In addition, recent changes exempted the first \$15,000 in annual retirement income for those who served in the U.S. military, law enforcement, or emergency services.

Workers of color face significant barriers, such as employment and housing discrimination, that have made it harder for them to build wealth over time. As a result, the median net worth of white families is 10 times that of Black families and eight times that of Latinx families. Because built-up assets are a prerequisite for most types of retirement income, Marylanders who have been locked out of building wealth throughout their lives would be locked out once again.

## *Equity Implications*

Creating broad exemptions for retirement income will double down on the existing wealth and income inequality that already exists:

- Even with the limits placed on the exemption, the greatest share of the tax benefits will go to seniors who are on the higher end of incomes covered under the bill.
- Black, Latinx, and Asian households are less likely to have enough built-up assets to benefit from the income subtraction proposed in Senate Bill 278.
- This costly proposal would take away much-needed state resources that now support essential state investments. While the state could make different choices in the future, historically, such significant budget cuts have disproportionately affected services in low-income communities and communities of color, including services that that older Marylanders in these communities rely on.

## *Impact*

Senate Bill 278 would likely **worsen racial and economic equity** in Maryland.

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<sup>i</sup> The Impact of Age Demographics on Maryland's Economic and Tax Revenue Outlook, Maryland Bureau of Revenue Estimates, [https://finances.marylandtaxes.gov/static\\_files/revenue/BRE\\_reports/FY\\_2018/BRE%20Report%20on%20Age%20Demographics.pdf](https://finances.marylandtaxes.gov/static_files/revenue/BRE_reports/FY_2018/BRE%20Report%20on%20Age%20Demographics.pdf)

<sup>ii</sup> "State Tax Preferences for Elderly Taxpayers." November 28, 2016. Institution on Taxation and Economic Policy. Retrieved from [http://itep.org/itep\\_reports/2016/11/state-tax-preferences-for-elderly-taxpayers.php#.WJIx8\\_krIdU](http://itep.org/itep_reports/2016/11/state-tax-preferences-for-elderly-taxpayers.php#.WJIx8_krIdU)

<sup>iii</sup> FY 2018 Tax Expenditure Report, Department of Budget and Management, <https://dbm.maryland.gov/budget/taxexpendreports/FiscalYear2018Tax%20ExpenditureReport.pdf>

<sup>iv</sup> Maryland Department of Legislative Services, Fiscal and Policy Note for Senate Bill 278, [http://mgaleg.maryland.gov/2020RS/fnotes/bil\\_0008/sbo278.pdf](http://mgaleg.maryland.gov/2020RS/fnotes/bil_0008/sbo278.pdf)

<sup>v</sup> MDCEP analysis of American Community Survey 2018 one-year estimates.

<sup>vi</sup> MDCEP analysis of Maryland TY 2016 Statistics of Income, Maryland Comptroller's Office, [https://www.marylandtaxes.gov/reports/static\\_files/revenue/statisticsofincome/individual/2016\\_Personal\\_SOI.pdf](https://www.marylandtaxes.gov/reports/static_files/revenue/statisticsofincome/individual/2016_Personal_SOI.pdf)

Includes all ages. "Income refers to Maryland adjusted gross income, which is generally somewhat lower than total income.

<sup>vii</sup> Maryland AGI, assuming two \$3,200 personal exemptions, two \$1,000 additional personal exemptions for tax filers over age 65, and a \$4,550 standard deduction. Depending on their specific circumstances household with significantly higher Maryland AGI could have taxable income as low as \$50,000 if they claim itemized deductions, and would likely have total income slightly higher.



# **SB 278\_MSEA\_Oppose\_Samantha Zwerling**

Uploaded by: zwerling, samantha

Position: UNF

**Testimony in Opposition to Senate Bill 278  
Retirement Tax Reduction Act of 2020**

**Senate Budget & Taxation Committee  
February 5, 2020**

**Samantha Zwerling  
Government Relations**

This year the Maryland General Assembly will hear many proposals for tax credits and modifications for specific populations and purposes. As you are considering these proposals the Maryland State Education Association urges you to consider the ramifications that each one will have on the General Fund and our ability to provide a high-quality education to every K-12 student in our state. Senate Bill 278 is estimated to cost the state \$286.5 million in FY 2025 and over \$1.344 billion between FY 2023 and FY 2027. It is also estimated to decrease local governments' revenues by \$879.9 million over that same 5 year period. These costs to the state and local governments will make it even harder to close the already steep public education funding gap.

MSEA represents 75,000 educators and school employees who work in Maryland's public schools, teaching and preparing our 896,837 students for the careers and jobs of the future. MSEA also represents 39 local affiliates in every county across the state of Maryland, and our parent affiliate is the 3 million-member National Education Association (NEA).

Public education, as with many other worthy services provided by government, is a common good and needs to be supported with revenue sources that are broad based, reliable, and stable. Providing adequate funding for education is an investment that promotes families, communities, economic development, and public safety. Investing in education provides an educated workforce that pays income taxes based upon higher salaries, pays sales taxes based upon greater consumer demand, and pays property taxes through expanded home purchasing power. Today's investment in education is tomorrow's increased government revenues.

This is especially vital as the state examines how to pay for the recommendations of the Commission on Innovation and Excellence in Education, better known as the Kirwan Commission. In response to a state-commissioned report finding our schools are annually underfunded by \$2.9 billion, the Commission developed a plan to improve investment in our schools for the purposes of (1) closing the gap in salaries between Maryland teachers and other high-skilled professions, (2) addressing understaffing in schools by hiring more than ten thousand additional teachers, school counselors, psychologists, and paraprofessionals, (3) making voluntary access to public pre-kindergarten universal for four-year-olds and free for low-income three-year-olds, (4) greatly expanding career and technical education in high school so all students can choose to pursue industry certification, (5) utilizing the community school model in any school that serves an area with concentrated poverty, (6) significantly increasing funding



for special education, and (7) establishing a strong accountability structure to ensure schools implement such policies.

Backed by the best practices of strong-performing school systems around the world and firsthand experience of Maryland educators, we know these strategies will greatly improve the quality of education for all our students. But they will not materialize without the necessary dedicated revenue.

**MSEA respectfully requests an unfavorable report on Senate Bill 278.**